

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6729**

**BILL NUMBER:** SB 222

**DATE PREPARED:** Feb 23, 2001

**BILL AMENDED:** Feb 22, 2001

**SUBJECT:** Office of Quality Assurance.

**FISCAL ANALYST:** Kathy Norris

**PHONE NUMBER:** 234-1360

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill establishes the Office of Quality Assurance within the State Department of Health and provides that the office has the following duties:

- (1) To review all health facility inspection recommendations for citations to determine if the recommended citation constitutes a breach.
- (2) Administer the informal dispute resolution process.
- (3) Appoint administrative law judges.
- (4) Receive and review complaints from facilities about inspectors or inspection teams.

The bill provides that during a licensure inspection of a health facility the inspectors must meet certain criteria and perform certain tasks. The bill provides that a citation for a breach may not be issued by the State Health Commissioner until the alleged breach has been reviewed the Office of Quality Assurance. The bill establishes the Quality Improvement and Education Fund. The bill requires that 50% of the fines collected be deposited in the Fund. The bill requires the State Department of Health to provide reports to the Select Joint Committee on Medicaid Oversight concerning inspections of health facilities.

The bill makes certain other changes.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** *Licensure Inspections:* This bill establishes certain training and inspection standards related to the nursing home inspectors employed by the State Department of Health (SDOH). Under this proposal, new inspectors would be required to receive at least six hours of Alzheimer's disease and dementia specific training. The bill also requires that the SDOH provide joint training sessions at least every six months with health facility licensure inspectors and the health facilities. While the SDOH will experience additional costs associated with these training provisions, the bill provides that a portion of

the fines collected from nursing homes may be used to provide training to inspectors (see Explanation of State Revenues, below).

*Office of Quality Assurance:* This bill establishes the Office of Quality Assurance within the State Department of Health. The office would be required to review nursing home inspection recommendations, administer the informal dispute resolution process, examine complaints from nursing homes about inspectors or inspection teams, and if necessary, appoint administrative law judges.

The costs associated with the establishment of the office will depend largely on administrative actions by the Department. While this proposal may require the Department to hire additional staff, the Office may also help the Department to streamline the process of determining whether or not a nursing home has committed a violation, and if so, what measures will be taken. The Department currently estimates that the Office of Quality Assurance will require 29 additional full time positions and 8 part-time positions at an annual cost of \$1,559,471.

This bill does not contain an appropriation. The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. As of January 29, 2001, the SDOH has 97 vacancies. The Department reverted \$993,931 at the end of FY2000. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

*Background Information:* There are approximately 600 state licensed nursing facilities in Indiana of which approximately 580 are certified by the federal government to provide services to Medicare and Medicaid beneficiaries. Currently, nursing facilities that receive survey discrepancies are allowed to do the following: 1) submit a plan of correction which outlines how discrepancies will be resolved; 2) request an informal dispute resolution, and if the facility does not agree with the outcome; 3) request an administrative appeal via a Department administrative law judge; or ultimately 4) request a court hearing outside of the administrative process.

More than 2,000 survey discrepancies can be noted during a single year, of which approximately 35% to 40% are resolved through the informal dispute resolution process.

**Explanation of State Revenues:** This bill establishes the Quality Improvement and Education Fund for the purpose of conducting education and training programs, development of best practice guidelines, and for clinical research designed to improve the quality of care provided in nursing facilities. The amount of FY 2000 fines deposited in the state General Fund was \$425,815. This bill provides that half of the fines collected will be deposited into the Quality Improvement and Education Fund and half into the State General Fund. Consequently, if fine collections are similar to FY 2000, deposits into the Quality Improvement and Education Fund will be about \$213,000 annually, while deposits into the State General Fund will be reduced by half (also in the amount of about \$213,000, annually). The table below shows the nursing home fines deposited into the state General Fund over the past three fiscal years.

<b>Fiscal Year</b>	<b>General Fund Fines</b>
FY 1998	\$ 79,212
FY 1999	\$ 178,925
FY 2000	\$ 425,815
FY 2001 (as of Jan. 23, 2001)	\$ 115,676

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** State Department of Health.

**Local Agencies Affected:**

**Information Sources:** State Department of Health.